M E M O R A N D U M

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: March 19, 2012

SUBJECT: **February 22, 2012 Audit Committee Meeting**

In Attendance:
Jon Strinden, via conference call
Rebecca Dorwart, via conference call
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Stacey Jones

The meeting was called to order at 10:07 a.m.

I. November 30, 2011 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Reports

A. Quarterly Audit Plan Status Report – A summary of the past quarter audit staff time was included with the audit committee materials. Ms. Kinsella indicated staff is beginning work on the internal audit plan for 2012.

B. Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials. The report was updated to include the recommendations that were in Brady Martz's management letter issued with their FY 2011 audit report, as well as their oral audit recommendations. Discussion followed regarding whether goal to reach target implementation of June 30, 2012 is reachable. Staff felt that with PERSLink being stable and staff trained, we should meet that goal.

C. Benefit Adjustments Monitoring Proposal – Options were provided to the Audit Committee and discussion followed. The Audit Committee requested the staff to obtain cost estimates from Sagitec and bring those estimates to the May meeting.

D. Internal Audit Report for 2011.- Included with the audit committee agenda was a copy of the Internal Audit Report for 2011 calendar year for the Audit Committee's information.

E. Audit Committee Charter Activity review – To meet the Audit Committee Charter Activity review requirement a matrix as developed to review against current practices to ensure that the audit committee is meeting its responsibilities. Discussion followed, the audit committee agreed that going forward they should meet with external audit in private at the same meeting the audit report is presented.

III. Administrative

A. Audit Committee Meeting Date & Time – The next audit committee is scheduled for May 23, 2012 at 10:00 a.m.

B. Confidential Meeting between Internal Audit and Audit Committee – The meeting between the audit committee and the internal audit division was held at the end of the meeting.

IV. Miscellaneous

A. Brady Martz & Associates Presentation FY 2011 Audit Report – John Mongeon, Brady Martz & Associates, presented the FY 2011 audit report.

B. Travel Expenditures Update– Attached was a report incurred by the Board and/or Executive Director for out of state travel submitted from November 1, 2011 through January 31, 2012

C. Risk Management Report – At a previous audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Included with the audit committee materials were the following: copy of the approved meeting minutes from the September 29, 2011 meeting, and agenda for the December 7, 2011 meeting.

D. PERSLink Update – An update was provided at the meeting on PERSLink from Ms. Schiermeister. Ms. Kinsella provided a copy of an update that was given to the Board at the November board meeting. The memo discussed the member self service portal and provided the ITD quarterly status report.

E. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to

the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 31, 2011.

Meeting adjourned at 11:30 a.m.

M E M O R A N D U M

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: May 30, 2012

SUBJECT: **March 23, 2012 Audit Committee Meeting**

In Attendance:
Jon Strinden, via conference call
Rebecca Dorwart,
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Stacey Jones, absent

The meeting was called to order at 10:04 a.m.

I. February 22, 2012 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Reports

A. Quarterly Audit Plan Status Report – A summary of the past quarter audit staff time was included with the audit committee materials. Ms. Kinsella indicated to the board that Ms. Jones will be leaving PERS on June 8, 2012. NDPERS will be posting the position this week and close the posting on June 15, 2012.

B. Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials.

C. Benefit Adjustments Monitoring Proposal – The Audit Committee determined that the information to monitor is whether the error was a member error, a PERS error, the dollar amount of the error, and whether it was repaid or written off. All four forms will be tracked in a spreadsheet quarterly to see if it is manageable and if the information is valuable. The Audit Committee determined that

M E M O R A N D U M

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: August 15, 2012

SUBJECT: **August 29, 2012 Audit Committee Meeting**

In Attendance:
Jon Strinden
Rebecca Dorwart,
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Deb Knudsen

The meeting was called to order at 8:33 a.m.

I. May 23, 2012 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Reports

A. Quarterly Audit Plan Status Report – A summary of the past quarter audit staff time was included with the audit committee materials. In addition to time worked on projects, NDPERS advertised for the Internal Auditor II position in June, interviewed in July and made an offer which was accepted.

B. Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials.

C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. The forms have been combined into one report and sorted by PERSLink IDs, so if a member had multiple forms they will be together.

The first two items have a "No Response" because they are still within the first 60 days of the response period. They will be included on the next report so the audit committee will know what became of these. Discussion followed. This report will be provided to the audit committee quarterly.

III. Administrative

A. Audit Committee Meeting Date & Time – The next audit committee is scheduled for November 21, 2012 at 10:00 a.m.

B. Internal Auditor II Position – Stacey Jones last day was June 8, 2012. We advertised for a replacement for 3 weeks and received 16 applications. Three candidates were interviewed and the position was offered to Jennifer Feigitsch. Ms. Feigitsch has several years of experience, over 8 years in the accounting field, and almost 3 years working at the State Auditor's office. Ms. Feigitsch will be starting on September 4th.

IV. Miscellaneous

A. External Audit Update – Brady Martz were in our office the week of June 18th to start their preliminary audit work. During that week Brady Martz obtained the population data for the various programs we administer, and selected a sample from each population for Ms. Kinsella to send confirmation letters, and to start testing data. Brady Martz returned to our office on August 20th and will be working with us through August 31st to complete their field work, and to start putting together the financial statements.

B. Travel Expenditures Update– Attached was a report incurred by the Board and/or Executive Director for out of state travel submitted from May 1, 2012 through July 31, 2012

C. Risk Management Report – Deb Knudsen was in attendance to present the annual overview of the Loss Control Committee's activities. Discussion followed.

D. PERSLink Update – An update was provided at the meeting on PERSLink from Ms. Schiermeister.

E. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended June 30, 2012.

Meeting adjourned at 9:20 a.m.

deceased letters do not have to be included.

D. Audit Committee Charter Activity review – To meet the Audit Committee Charter Activity review requirement a matrix has developed to review against current practices to ensure that the audit committee is meeting its responsibilities. A few changes were made per the Audit Committee's request and these changes were approved. This matrix will be provided to the board at the June meeting.

III. Administrative

A. Audit Committee Meeting Date & Time – The next audit committee is scheduled for August 22, 2012 at 10:00 a.m.

B. Performance Evaluation – The performance evaluation for the Internal Audit Manager is scheduled to be performed in late spring/early summer.

IV. Miscellaneous

A. External Audit Update – Every three years the State Auditor's Office goes out to bid for a new external auditor for our agency. In April the State Auditor's Office informed us they have selected Brady Martz P.C. to be our external auditors for the next three years, 2012, 2013, and 2014. Stacy DuToit from Brady Martz has been in touch with Ms. Kinsella to schedule their preliminary and field work in our offices. They are scheduled to be in our offices June 18-22, and August 20-30.

B. Travel Expenditures Update– Attached was a report incurred by the Board and/or Executive Director for out of state travel submitted from February 1, 2012 through April 30, 2012

C. Risk Management Report – At a previous audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Included with the audit committee materials were the following: copy of the approved meeting minutes from the December 7, 2011 meeting, and agenda for the March 13, 2012 meeting.

D. PERSLink Update – An update was provided at the meeting on PERSLink from Ms. Schiermeister.

E. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended March 31, 2012.

Meeting adjourned at 10:55 a.m.

M E M O R A N D U M

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: January 8, 2013

SUBJECT: **November 21, 2012 Audit Committee Meeting**

In Attendance:
Jon Strinden
Rebecca Dorwart,
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Robyn Goven
John Mongeon

The meeting was called to order at 9:05 a.m.

I. August 29, 2012 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Reports

A. Quarterly Audit Plan Status Report – A summary of the past quarter audit staff time was included with the audit committee materials. In addition to time worked on projects, researched "Remainder Refunds" for the Business Analyst to determine if balances remaining in member's accounts were still due to the members and assisted accounting with Group Insurance Aging Accounts Receivable Reconciliation.

B. Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials.

C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. The forms have been combined into one report and sorted by PERSLink IDs, so if a member had multiple forms they will be together.

This report has 12 retirement and 2 health adjustments.

D. Internal Audit Plan 2012-2013 Update – A year ago an audit plan was developed for the 2012-2013 calendar year. An update on the progress of the plan was given to the audit committee.

III. Administrative

A. Audit Committee Meeting Date & Time – Ms. Kinsella proposed a schedule of the audit committee meetings to take place during the next year. The board approved the dates and times for the 2013 audit committee meetings. The next audit committee meeting is scheduled for February 20, 2013 at 10:00 a.m.

B. Internal Auditor II Position – Jennifer Feigitsch started on September 4th and her last day was October 25, 2012. At the time Ms. Feigitsch applied with NDPERS she did not know that the State Auditor's Office was looking for auditors. When she learned of the openings she applied and was offered a position. NDPERS was sad to see Ms. Feigitsch leave.

NDPERS advertised for a replacement for two weeks and received 11 applications for the position. As of November 8th, after the screening process was finished, Ms. Kinsella was told the applicant pool is looking promising. Interviews were conducted the previous week and an offer is pending.

IV. Miscellaneous

A. Brady Martz & Associates Presentation FY 2012 Audit Report – John Mongeon and Robyn Goven were at the meeting to present the 2012 audit report. An electronic copy of the draft report was sent to the board on November 16, 2012 via e-mail.

B. Travel Expenditures Update – Attached was a report incurred by the Board and/or Executive Director for out of state travel submitted from August 1, 2012 through October 31, 2012. This was for informational purposes.

C. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the March 13, 2012 meeting and the agenda for the June 6, 2012 meeting were provided to the audit committee.

D. PERSLink Update – An update was provided at the meeting on PERSLink from Ms. Schiermeister. This will be the final report provided to the audit committee.

E. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended September 30, 2012.

Meeting adjourned at 10:20 a.m.